

June 24, 2010

Ms. Jennifer M. Granholm
Governor, State of Michigan
P.O. Box 30013
Lansing, Michigan 48909

Dear Governor Granholm,

In accordance with Public Act 304 of 1982, the attached 2009 Annual Report for the Michigan Utility Consumer Representation Fund (UCRF) is transmitted to the Legislature.

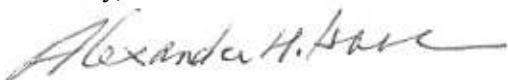
The state's six largest investor-owned utilities who use cost recovery proceedings to recover purchased gas and power supply costs from ratepayers were required, under this Act, to remit a total ratepayer funded assessment of \$1,088,750 in 2009 to provide for fair and adequate representation of Michigan residential energy ratepayers in gas and power supply cost recovery proceedings, reconciliation cases and other related proceedings before the Michigan Public Service Commission. 47.5% (\$517,157) of the revenue is allocated to fund intervenor grants, 47.5% (\$ 517,157) of the revenue is allocated to the Department of Attorney General, and the remaining 5% (54,438) is allocated for administrative costs. The Utility Consumer Participation Board (UCPB) requested an authorization of \$950,000 using current and accrued funds. Of that amount, \$902,500 is available for grants and \$47,500 is allocated for administrative costs.

In 2009, ten new grants in the total amount of \$902,500 were authorized by the board. Work on grants approved in prior years continued as court and commission decisions from previous years were still pending in some cases. The cases selected for UCRF funding represent approximately 3 million residential natural gas customers and 3.5 million residential electric customers in the state of Michigan. UCRF grant recipients included the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC), Public Interest Research Group in Michigan (PIRGIM), Citizens Against Rate Excess (CARE), and the Michigan Community Action Association (MCAAA). The membership and scope of these organizations is provided in Appendix 1. Grant applications are rated based on compliance with statutory requirements and criteria established by the board.

UCRF funded intervention in cases decided in 2009 yielded more than \$200 million of benefits for residential utility customers. Specifically, MEC and PIRGIM were directly responsible for a reduction in Consumers' Energy Company proposed renewable energy residential surcharge of .50 per month per customer or approximately \$189 million over the 20 year life of the program. They also secured a savings of \$17 million for Consumers' Energy electric customers (that should continue to accrue over time) as a result of MPSC rulings on DOE liability issues. The RRC influenced the Michigan Gas Utilities Company GCR 2007/08 Reconciliation Settlement Agreement that resulted in \$919,047 in savings for residential customers. They also played a key role in negotiating a higher share of proceeds for residential customers in the Michigan Consolidated Gas Company Native Base Gas Sale Case. This result is expected to yield a benefit of \$4-5 million more for residential customers than what was proposed by the utility company. In addition to these direct savings, oversight provided by UCRF funded intervenors improves outcomes and rates for residential customers over the long-term. The UCRF grant program provides the resources for intervention by residential customers in complex gas cost and power supply cost recovery proceedings. The benefits achieved for residential customers relative to the costs born by those same customers demonstrate the continued importance of the UCRF grant program.

This report reflects the activities and results of the UCRF grant program administered by the Utility Consumer Participation Board. The Attorney General's Office also receives UCRF funding to intervene on behalf of the utility ratepayers of Michigan in Act 304 proceedings. The Attorney General's Office will submit its' P.A. 304 Annual Report under separate cover.

Sincerely,



Mr. Alexander H. Isaac, Chair
UTILITY CONSUMER PARTICIPATION BOARD

cc. Stanley F. Pruss, Director, DELEG

**UTILITY CONSUMER REPRESENTATION FUND
ANNUAL REPORT**

CALENDAR YEAR 2009

UTILITY CONSUMER PARTICIPATION BOARD

Alexander Isaac, Chair
Marc Shulman, Vice Chair
Sister Monica Kostielney
Dr. Harry M. Trebing
Vacancy

TABLE OF CONTENTS

1. Introduction
2. UCPB Major Responsibilities
 - 2.1. UCPB Board Action 2009
 - 2.2. UCRF Grants Awarded in 2009
 - 2.3. UCRF Resource Availability
 - 2.4. UCPB Resource Efficiency and Non-Duplication Due Diligence
 - 2.5. UCPB Administrative Efficiency
3. UCRF Results
 - 3.1. Cost/Benefit Analysis
 - 3.2. Grant Activity and Results
4. Financial Reporting and Administrative Process
 - 4.1. Calendar year 2009 Remittances
 - 4.2. Calendar year 2009 Appropriation and Accrued Funds
 - 4.3. Notification of Readiness to Proceed
 - 4.4. Scope of Work
 - 4.5. Application and Selection Process
5. Update on the Legislative Review of Act 304

APPENDIX I - UCRF 2009-10 Grantees Membership Scope and Description

Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Labor and Economic Growth
Attention: Ms. Robin C. Bennett
P.O. Box 30004
Lansing, Michigan 48909
Tel: (517) 373-3795, Fax: (517) 373-3621

1. INTRODUCTION

Public Act 304 of 1982, as amended (Act 304) provides for the establishment and implementation of gas and power supply cost recovery clauses in the rates and rate schedules of public utilities. The Utility Consumer Participation Board (UCPB) and the Utility Consumer Representation Fund (UCRF) were further created by the Act to achieve equitable representation of interests of energy utility customers in energy cost recovery proceedings. The purpose of the UCPB is to make grants from the Act 304 Utility Consumer Representation Fund (UCRF) to qualified nonprofit organizations and local units of government to represent the interests of residential utility customers in energy cost recovery and reconciliation proceedings before the Michigan Public Service Commission, other state and federal agencies, and the courts.

This annual report to the Legislature, which is required under section 6m(22) of the Act, covers the activities of the Utility Consumer Participation Board for the 2009 calendar year.

From January 1, 2009-December 31, 2009, The Utility Consumer Participation Board awarded \$137,360 (AY09 authorization) and \$902,500 (AY10 authorization) in UCRF grants to consortia of several non-profit, consumer groups. The board also continued to monitor grant work previously authorized. Grant recipients in 2009 included the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC), Citizens Against Rate Excess (CARE), the Public Interest Research Group in Michigan (PIRGIM) and the Michigan Community Action Agency Association (MCAAA). Combined, the grantees represent state-wide, nonprofit groups with over 400 member agencies and tens of thousands of individual members focused on issues related to energy costs, consumer protection, environmental, public health, and community action. The actions of these grantees influence utility costs for 3 million residential natural gas customers and 3.5 million residential electric customers in the State of Michigan.

In 2009, UCRF grant recipients participated in over 50 proceedings on behalf of residential customers of the State of Michigan. UCRF funded intervention in cases decided in 2009 yielded more than \$200 million of benefits for residential utility customers. In addition, significant indirect savings result from negotiations, oversight, and improved practices achieved through ratepayer intervention in Act 304 proceedings. While it is important to note that some of the direct and indirect savings are a result of changes that all parties, including the utilities, recognize and agree to in reconciliation cases, many of the cost and policy issues important to residential ratepayers would not be addressed without UCRF funded advocates. Benefits from this advocacy include disallowances, refunds, future savings from lower annual rates, improved planning, lower risk, and policy reform and innovation. The UCPB, through the administration of the UCRF, continues to advance the purpose of Act 304 and improve outcomes for residential energy customers.

In addition to UCRF intervenor grant awards, The Attorney General's Office receives UCRF funding for intervention on behalf of the utility ratepayers of Michigan. Coordination in UCRF funded cases is monitored by the board. Practices including advance review of grant applications, grant amendments, and regular reporting on case status and interventions, adopted by the UCPB continue to improve coordination of the grantees efforts with the Attorney General. This provides efficient use of resources while achieving coverage of a wide range of complex and highly specialized issues involved in major cases without duplication of effort. The Attorney General's office is also consulted in its role as legal counsel to the board. Expenditures and results of the Attorney General's intervention are provided in a separate annual report submitted by their office to the Legislature.

2. UCPB MAJOR RESPONSIBILITIES

MCL 460.6l provides for the creation of a Utility Consumer Participation Board, defines its membership, and prescribes its duties. MCL 460.6m creates the Utility Consumer Representation Fund, establishes provisions for its generation, distribution and use, limits the beginning dates of cost recovery proceedings, and places reporting requirements on both fund recipients and the Board.

The duties and responsibilities of the Act under these two sections were discharged as described in sections 2.1 and 2.2.

2.1 UCPB Board Action 2009

Listed below are a summary of discussion points and actions taken by the Utility Consumer Participation Board in the administration of the Utility Consumer Representation Fund from January 1, 2009 to December 31, 2009.

February 9, 2009 – Regular Meeting

1. James Clift, MEC announced change in lead counsel for their participation in MPSC proceedings including those funded by UCRF
2. Shulman moved, second by Trebing and motion carried to accept the 2008 Grant Review process report.
3. Trebing moved to accept MCAAA Grant Amendment Request by Mr. Keskey with the, actually part of it's a revised request for grant funding as an amendment to UCRF 09-05 for participation in upcoming implementation plans to be filed by utilities under 2008 PA-195. The motion failed for lack of a second.
4. MEC UCRF funding for 2nd petition to the US Supreme Court (DECO U-13808) request was tabled to the April 1, 2009 meeting per the request of the grantee.
5. Trebing moved, second by Shulman and motion carried to authorize investigation by Michelle Wilsey in consultation with the Office of Attorney General to produce language amending the use of Act 304 funds.

April 1, 2009 – Regular Meeting

1. LeAnn Droste introduced Wes VanMalsen, DLEG. VanMalsen works on UCPB grantees on payment processing. He will attend the Utility Board meetings to better understand the decision making and approvals proceedings.
2. Wilsey noted that input for the 2008 annual report was received from RRC. She invited input from MEC. A draft report would be provided at the June board meeting.
3. Kostielney moved, second by Trebing and motion carried to approve RRC UCRF 09-06 Request for Budget Revision to reallocate \$3,000 from MichCon U-15628 expert witness line to the legal personnel line. The total authorized budget for this case is unchanged.
4. Kostielney moved, second by Trebing and motion carried to approve RRC UCRF 08-02 Request for Budget Revision for transfer of funds between cases in grant 08-02 to decrease budget for expert witness hours and legal personnel hours in the MGU U-15040-R, MichCon U-15042-R and SEMCO U-15043-R 2007-2008 GCR Reconciliation cases and increase budget Consumers

Energy Company U-15041-R 2007-2008 GCR Reconciliation case as outlined below. The *total* authorized budget of \$ 109,080 for these cases is unchanged.

Approved Budget MGUC U-15040-R	\$27,270(\$ 13,500 legal, 13,500 expert, 270 admin)
Amendment Request	(\$- 2,700 legal, -4,500 expert, -72 admin)
Total Budget	\$19,998(\$10,800 legal, 9,000 expert, 198 admin)
Approved Budget MichCon U-15042-R	\$27,270(\$13,500 legal, 13,500 expert, 270 admin)
Amendment Request	(\$N/C legal, -4,500 expert, -45 admin)
Total Budget	\$22,725(\$13,500 legal, 9,000 expert, 225 admin)
Approved Budget SEMCO U-15043-R	\$27,270(\$13,500 legal, 13,500 expert, 270 admin)
Amendment Request	(\$- 2,700 legal, -4,500 expert, -72 admin)
Total Budget	\$22,725 (\$10,800 legal, 9,000 expert, 198 admin)
Approved Budget CECO U-15041-R	\$27,270(\$ 13,500 legal, 13,500 expert, 270 admin)
Amendment Request	(\$ 5,400 legal, 13,500 expert, 189 admin)
Total Budget	\$22,725 (\$18,900 legal, 27,000 expert, 459 admin)

5. Kostielney moved, second by Trebing and motion carried to approve the RRC Grant Application in the total amount of \$127,260 broken down as follows:
CECO 2008 PSCR Reconciliation
Total Budget \$63,630 (\$18,000 legal, 45,000 expert, 630 admin)
DECO 2008 PSCR Reconciliation
Total Budget \$63,630 (\$18,000 legal, 45,000 expert, 630 admin)
6. Trebing moved, second by Kostielney and motion carried to permit full reimbursement of expenses from grant funds for the MEC UCRF funding for 2nd petition to the US Supreme Court (appeal of DECO U-13808).
7. Kostielney moved, second by Isaac and motion carried to approve MEC's request for addition of Chris Bzdok as counsel on UCRF grant funded cases.
8. Isaac moved, second by Trebing and motion carried to change negotiators on the 2009 MEC grants to James Clift and Chris Bzdok.
9. Trebing moved, second by Kostielney and motion carried to add experts Sansoucy, Rich Polich, and Norman Stone to MEC cases.
10. Kostielney moved, second by Trebing, and motion to approve the MEC request for amendment 09-04 to include power supply costs in U-15805, U-15806. Roll call: Isaac – yes, Kostielney – yes; Trebing – yes; Shulman – yes.
11. MEC 09-03, 09-04 Request for Amendment to include decoupling issues U-15768. The item failed for lack of a motion for approval.
12. Kostielney moved, second by Isaac and motion carried to adopt MEC Request for Amendment 09-02 CECO U-15645 in the total amount of \$ 10,100.00 (\$ 5,840 legal, 4,160 expert, 100 admin).
13. Wilsey presented the draft grant announcement and application for the 2010 grant cycle. The appropriation requested was \$950,000. This is subject to the State of Michigan appropriation process. If approved, funds would be available for the fiscal year beginning October 1st. The

2010 grant application deadline is July 24th, 2009. Request for applications would be due June 30, 2009.

14. Next meeting of the UCPB is scheduled Monday, June 1, 2009, 10:00 a.m.

June 1, 2009 – Regular meeting

1. Kostielney moved, second by Trebing and motion carried to approve the following budget amendment request: Transfer of funds between cases in grant 09-06. Decrease budget for expert witness hours in SEMCO and MGU 2009-2010 GCR Plan Cases and increase expert witness hours in the Consumers Energy Company and Michigan Consolidated Gas Company 2009-2010 GCR Plan cases. The *total* authorized budget of 109,080 for these cases is unchanged.

Current Budget MGU U-15700	\$27,270 (\$ 13,500 legal, 13,500 expert, 270 admin)
Amendment Request	(\$ 0 legal, - 6,300 expert, - 63 admin)
Total Amended Budget	\$20,907 (\$ 13,500 legal, 7,200 expert, 207 admin)

Current Budget MichCon U-15701	\$27,270 (\$ 13,500 legal, 13,500 expert, 270 admin)
Amendment Request	(\$ 0 legal, 6,300 expert, 63 admin)
Total Amended Budget	\$33,633 (\$ 13,500 legal, 19,800 expert, 333 admin)

Approved Budget SEMCO U-15702	\$27,270 (\$ 13,500 legal, 13,500 expert, 270 admin)
Amendment Request	(\$ 0 legal, -6,300 expert, -63 admin)
Total Amended Budget	\$20,907 (\$ 13,500 legal, 7,200 expert, 207 admin)

Approved Budget CECO U-15704	\$27,270 (\$ 13,500 legal, 13,500 expert, 270 admin)
Amendment Request	(\$ 0 legal, 6,300 expert, 63 admin)
Total Amended Budget	\$33,633 (\$ 13,500 legal, 19,800 expert, 333 admin)

2. Isaac moved, second by Trebing and motion carried to approve the following budget amendment request: Transfer of funds between cases in grant 08-02. Decrease budget for expert witness hours and/or legal personnel hours in the MGUC U-15040-R and MichCon U-15042-R 2007-2008 GCR Reconciliation cases and increase budget Consumers Energy Company U-15041-R 2007-2008 GCR Reconciliation case. The *total* authorized budget 109,080 for these cases is unchanged.

Current Budget MGUC U-15040-R	\$19,998(\$ 10,800 legal, 9,000 expert, 198 admin)
Amendment Request	(\$ 0 legal, -2,700 expert, -27 admin)
Total Amended Budget	\$17,271(\$ 10,800 legal, 6,300 expert, 171 admin)

Current Budget CECO U-15041-R	\$22,725(\$ 18,900 legal, 27,000 expert, 459 admin)
Amendment Request	(\$ 2,700 legal, 4,500 expert, 72 admin)
Total Amended Budget	\$53,631(\$ 21,600 legal, 31,500 expert, 531 admin)

Current Budget MichCon U-15042-R	\$22,725(\$ 13,500 legal, 9,000 expert, 225 admin)
Amendment Request	(\$ - 2,700 legal, - 1,800 expert, -45 admin)
Total Amended Budget	\$18,180(\$ 10,800 legal, 7,200 expert, 180 admin)

Current Budget SEMCO U-15043-R	\$19,998(\$ 10,800 legal, 9,000 expert, 198 admin)
Amendment Request	(\$ 0 legal, 0 expert, 0 admin)
Total Amended Budget	\$19,998(\$ 10,800 legal, 9,000 expert, 198 admin)

3. Isaac moved, second by Trebing and motion carried to approve the following Administrative Coordinator budget amendment request: Increase Administrative Coordinator Contract FY09 budget by \$3000.

Approved Contract FY09 Budget: \$19,975
 Amendment Request: 3,000
 Total Amended Budget: \$22,975

4. Next regular meeting of the UCPB is scheduled Monday, August 3, 2009, 10:00 a.m.

August 3, 2009

1. Kostielney moved, second by Trebing and motion carried to approve the agenda as printed.
2. John Liskey introduced Leah Hall, a new associate that will be working with his organization on UCPB matters.
3. Trebing moved, second by Kostielney and motion carried to approve minutes of June 1, 2009 as printed.
4. Shulman moved, second by Kostielney and motion carried to approve the budget amendment request of MCAAAA to transfer of funds between cases in grant 09-05 as follows, noting no new funds are approved for these cases:

Approved Budget MichCon U-15628	\$28,684 (\$	18,000 legal, 10,400 expert, 284 admin)
Amendment Request	-7464.40(\$	-5,850 legal, -1,540.50 expert, -73.90 admin)
Total Budget (as amended)	\$ 21,219.60 (\$	12,150 legal, 8,859.50 expert, 210.10 admin)

Approved Budget MichCon U-15701	\$39,592 (\$	28,800 legal, 10,400 expert, 392 admin)
Amendment Request	-20,691.87 (\$	-14,000 legal, -6,487 expert, -204.87 admin)
Total Budget (as amended)	\$18,900.13 (\$	14,800 legal, 3,913 expert, 187.13 admin)

Approved Budget MichCon U-15042-R	\$25,048 (\$	14,400 legal, 10,400 expert, 248 admin)
Amendment Request	-19,028.40 (\$	-12,366 legal, -6,474 expert, -188.40 admin)
Total Budget (as amended)	\$ 6,019.60 (\$	2,034 legal, 3,926 expert, 59.60 admin)

Approved Budget MichCon U-15451	\$ 6,767 (\$	5,400 legal, 1,300 expert, 67 admin)
Amendment Request	-1,399.86 (\$	-1,386 legal, 0 expert, -13.86 admin)
Total Budget (as amended)	\$5,367.14 (\$	4,014 legal, 1,300 expert, 53.14 admin)

Approved Budget CECO U-15454	\$ 1,818 (\$	1,800 legal, 0 expert, 18.00 admin)
Amendment Request	-1,636.20(\$	-1,620 legal, 0 expert, -16.20 admin)
Total Budget (as amended)	\$ 181.80(\$	180 legal, 0 expert, 1.80 admin)

Approved Budget MichCon U-15451-R	\$ 909 (\$	900 legal, 0 expert, 9 admin)
Amendment Request	31,310 (\$	18,000 legal, 13,000 expert, 310 admin)
Total Budget (as amended)	\$32,219 (\$	18,900 legal, 13,000 expert, 319 admin)

Approved Budget CECO U-15454-R	\$ 909 (\$	900 legal, 0 expert, 9 admin)
Amendment Request	18,910.73 (\$	10,222 legal, 8,501.50 expert, 187.23 admin)
Total Budget (as amended)	\$ 19,819.73 (\$	11,122 legal, 8,501.50 expert, 196.23 admin)

5. 2008 Annual Report Draft completed – awaiting input from MEC, MCAAAA. Will submit final report to board for approval at August 24, 2009 meeting.
6. Isaac explained that the grant review process will be 10-15 minutes for a grant proposal oral presentation and an additional 15 minutes for discussion and action.
7. Wilsey to request information from DELEG on process for supplemental appropriation for FY2010.

8. Wilsey to request report from DELEG on amount/percent of funds used for original purpose and amount/percent transferred to other cases for FY2009.
9. Grantees to provide report on uncompensated hours spent on UCRF approved cases FY2009.
10. Trebing discussed potential problem related to the competitiveness of generation auctions and need for protection for Michigan residential electric ratepayers.
11. Kostielney discussed the need for operating principles and framework for the review of grant applications. Wilsey to prepare assessment memo using evaluation criteria in grant application.
12. The next regular meeting of the UCPB is scheduled Monday, August 24, 2009, 10:00 a.m. Meeting materials due July 24, 2009.

August 24, 2009 – Regular Meeting

1. Kostielney moved, second by Trebing and motion carried to approve the agenda with the deferral of public comment to the last item of business.
2. Trebing moved, second by Kostielney and motion carried to approve the minutes of August 3, 2009.
3. Trebing moved, second by Kostielney, and motion carried to approve a FY 2010 UCRF grant to RRC in total amount of \$218,160 for intervention in GCR Plan and Reconciliation cases for Consumers Energy, MichCon, SEMCo, and MGU and monitoring of GCR Dockets of other Michigan gas companies.
4. Kostielney moved, second by Trebing and motion carried to approve a FY 2010 UCRF grant to CARES in the total amount of \$152,800 for intervention in Michigan's small and medium size utilities PSCR plan and reconciliation cases. *Revised budget sheets to be provided by grantee to DELEG.*
5. Trebing moved, second by Shulman and motion carried to approve a FY 2010 UCRF grant to CARES in the total amount of \$140,000 for participation in Federal Proceedings that affect Act 304 costs of Michigan Utilities (as described in the workplan). *Revised budget sheets to be provided by grantee to DELEG.*
6. Trebing moved, second by Trebing and motion carried to approve a FY 2010 UCRF grant to PIRGIM in the total amount of \$18,000, reducing the legal services rate in the budget from \$200 to \$180, to continue work on the CECO Big Rock Nuclear Decommissioning Case U-15611. *Revised budget sheet to be provided by grantee to DELEG.*
7. Trebing moved, second by Kostielney and motion carried to approve a FY 2010 UCRF grant to MCAAA in the total amount of \$60,000, reducing the legal services rate in the budget from \$200 to \$180, to continue participation the following cases: MichCon 2009-10 GCR Plan Case (U-15701); MichCon 2008-09 GCR Reconciliation Case (U-15451-R); MichCon Gas Rate Case (U-15985); CECO 2009-10 GCR Plan Case (U-15704); CECO Gas Rate Case (U-15986); CECO GCR Reconciliation Case (U-15454-R). *Revised budget sheet to be provided by grantee to DELEG.*
8. Trebing moved, second by Kostielney and motion carried to approve a FY 2010 UCRF grant to MCAAA in the total amount of \$47,117, reducing the legal services rate in the budget from \$200 to \$180, to participate in the 2010-11 MichCon 2010 GCR Plan Case. *Revised budget sheet to be provided by grantee to DELEG.*

9. Shulman moved, second by Trebing and motion carried to approve a FY 2010 UCRF grant to MCAAA in the total amount of \$1,818, reducing the legal services rate in the budget from \$200 to \$180, to participate in MichCon Appeal of U-14401-R COA #282741. *Revised budget sheet to be provided by grantee to DELEG.*
10. Trebing moved, second by Shulman and motion carried to approve a FY 2010 grant to MEC in the total amount of \$166,650, for participation in the following cases:
 - a. Consumers Energy Co. (CECO)
 - a. 2010/11 PSCR Plan Case
 - b. 2009/10 PSCR Recon Case
 - c. PA 295 Renewable Energy Plan Recon Case
 - b. Detroit Edison Co. (DECo)
 - a. 2010/11 PSCR Plan Case
 - b. 2009/10 PSCR Plan Recon Case
 - c. PA 295 Renewable Energy Plan Recon Case
 - c. CEC Co, DECo Renewable Energy (Wind Energy) Facilities Depreciation case
11. Kostielney moved, second by Trebing and motion carried to approve a FY 2010 UCRF grant to MEC in the total amount of \$80,000 for participation in the CECO Certificate of Need case under PA286. *Revised budget sheet to be provided by grantee to DELEG.*
12. Shulman moved, second by Kostielney and motion carried to approve a FY 2010 UCRF grant to MEC in the total amount \$15,150 for participation in the ABATE appeal of CEC Co PA 295 plan approvals and MEC appeal of PSC's self-implementation order.
13. Shulman moved, second by Kostielney and motion carried to approve 2010 UCRF Administrative Coordinator contract proposal in the total amount of \$22,975 at the current hourly rate of \$65 per hour.
14. Trebing moved, second by Kostielney and motion carried to approve the following MEC grant amendment request for transfer of funds between cases in grant 09-04 and extension of grant 09-04 to November 30, 2009.

Current Budget CECO U-15805,15806	\$57,570 (\$ 18,000 legal, 39,000 expert, 570 admin)
Amendment Request	\$26,260 (\$ 10,000 legal, 16,000 expert, 260 admin)
Total Amended Budget	\$ 83,830 (\$ 28,000 legal, 55,000 expert, 830 admin)

Funds for transfer would be taken from remaining funds in MEC UCRF grant #09-02, cases U-13919, U-13917 and/or grant #09-04, case U-15001-R as determined by MEC and DELEG.
15. Annual report – Information received from MCAAA, MEC last night. Annual report will be updated and presented at next meeting scheduled October 5, 2009.

October 5, 2009

1. Kostielney moved, second by Shulman and motion carried to approve the agenda as printed.
2. Shulman moved, second by Kostielney and motion carried to approve minutes of August 24, 2009 as printed.
3. Shulman moved, second by Kostielney, and motion carried to approve the final draft of the 2008 UCPB Annual Report with the proposed amendments outlined above. (1. amendment to the

paragraph describing benefits to incorporate the clause: “influenced an \$11.2 million savings on the sharing of pollution control allowances.” 2. Correct the signature line for Mr. Alexander Isaac to include the middle initial of H. 3. Correct the cc. to the director of DELEG to Stanley F. Pruss. 4. Incorporate into the appendix the data that Mr. Shaltz will provide us on more descriptive numbers for the Area Agencies on Aging).

December 7, 2009

1. Isaac moved, second by Trebing and motion carried to approve the agenda as printed.
2. Isaac moved, second by Trebing and motion carried to approve minutes of October 5, 2009 as printed.
3. Isaac moved, second by Trebing and motion carried to approve the PIRGIM budget amendment request for the addition of CECO case U-15645 and new funds in the total amount of \$2,805 (\$ 2,520 legal, \$260 expert, \$425 admin) to UCRF Grant 10-05 (PIRGIM)
4. Isaac moved, second by Trebing and motion carried to approve the budget amendment request to transfer remaining funds from MichCon GCR Plan U-15701 and CECO GCR Plan U-15704 to CECO gas rate case U-15986 in the total amount of \$7,645.70, not to exceed the actual remaining funds available per the confirmation of DELEG, with the breakdown of transfers as follows:

Decrease Budgets of

MichCon U-15701	-\$2,474.50	(-\$1,800 legal, -650 expert, -24.50 admin)
CECO U-15704	-\$5,171.20	(-\$2,520 legal, -2,600 expert, -51.20 admin)

Total Decrease	-\$7,645.70	(-4,320 legal, -3,250 expert, -75.70 admin)
----------------	-------------	---

Increase Budget of

CECO U-15986	\$7,645.70	(\$4,320 legal, 3,250 expert, 75.70 admin)
--------------	------------	--

5. Isaac moved, second by Trebing and motion carried to approve the 2010 UCPB meeting schedule with corresponding submission dates as follows:

<u>Meeting Date</u>	<u>Materials/Agenda Requests</u>
---------------------	----------------------------------

Feb 1, 2010 (Mon)	Jan 11, 2010 (Mon)
Apr 12, 2010 (Mon)	Mar 22, 2010 (Mon)
Jun 7, 2010 (Mon)	May 17, 2010 (Mon)
Aug 2, 2010 (Mon)	Jul 12, 2010 (Mon)
Aug 23, 2009 (Mon)	Jul 23, 2010 (Fri)
Oct 4, 2010 (Mon)	Sept 13, 2010 (Mon)
Dec 6, 2010 (Mon)	Nov 15, 2009 (Mon)

6. Isaac moved, second by Trebing and motion carried to approve the 2011 UCRF Grant Submission schedule as follows: 2011 grant applications to be considered for approval at the August 23, 2011 meeting are due on or before July 23, 2010. Additional applications or requests will be considered subject to the availability of funds.

7. Isaac moved, second by Trebing and motion carried to approve the 2009 UCRF Annual Report schedule as follows:

February 1, 2010	Grantee data submissions for calendar year 2009 due
April 12, 2010	Draft annual report due to board
June 7, 2010	Draft final report due to board
On or before July 1, 2010	Final report signed by UCPB submitted to legislature by DELEG.

8. Isaac moved, second by Trebing and motion carried to invite a member of the Senate Energy Policy on Public Utilities Committee to the UCPB meeting scheduled February 1, 2010.

9. Kostielney requested the attorney general's office be contacted and a direct report on all our activities at this meeting be conveyed to them for review.

2.2 UCRF Grants Awarded in 2009

Grant ID	Authorization Year	DESC	Amt Awarded (with any amendments as of 12/31/2009)
RRC UCRF 10-01	2010	Intervention in GCR Plan and Reconciliation cases for Consumers Energy, MichCon, SEMCo, and MGU and monitoring of GCR Dockets of other Michigan gas companies.	\$218,160
MEC UCRF 10-02	2010	Participation in the following cases: Consumers Energy Co. (CECO) a. 2010/11 PSCR Plan Case b. 2009/10 PSCR Recon Case c. PA 295 Renewable Energy Plan Recon Case Detroit Edison Co. (DECo) a. 2010/11 PSCR Plan Case b. 2009/10 PSCR Plan Recon Case c. PA 295 Renewable Energy Plan Recon Case CECo, DECo Renewable Energy (Wind Energy) Facilities Depreciation case	\$166,650
MEC UCRF 10-03	2010	Participation in the CECO Certificate of Need case under PA286.	\$80,000
MEC UCRF 10-04	2010	Participation in the ABATE appeal of CECO PA 295 plan approvals and MEC appeal of PSC's self-implementation order.	\$15,150
PIRGIM UCRF 10-05	2010	To continue work on the CECO Big Rock Nuclear Decommissioning Case U-15611.	\$20,805 (Amended 12/9/2009)
MCAAA UCRF 10-06	2010	To continue participation the following cases: MichCon 2009-10 GCR Plan Case (U-15701); MichCon 2008-09 GCR Reconciliation Case (U-15451-R); MichCon Gas Rate Case (U-15985); CECO 2009-10 GCR Plan Case (U-15704); CECO Gas Rate Case (U-15986); CECO GCR Reconciliation Case (U-15454-R).	\$60,000
MCAAA UCRF 10-07	2010	To participate in the 2010-11 MichCon GCR Plan Case.	\$47,117
MCAAA UCRF 10-08	2010	To participate in MichCon Appeal of U-14401-R COA #282741	\$1,818
CARES UCRF 10-09	2010	For intervention in Michigan's small and medium size utilities PSCR plan and reconciliation cases.	\$152,800

CARES UCRF 10-10	2010	For participation in Federal Proceedings that affect Act 304 costs of Michigan Utilities	\$140,000
TOTAL AWARDED			\$902,500

2.3 Resource Availability

The total amount of new grants requested for annual year 2010 totaled \$ 1,311,375. The UCRF authorization available for grants was \$902,500. The potential funding deficiency based on the proposals submitted was \$408,875. The total amount initially granted by the board was \$899,965. The board approved a grant amendment in December 2009 for \$2,805. The total amount granted at calendar year-end was \$902,500.

In addition to intervenor funds, the board approved a contract for administrative support in the total amount of \$22,975 for the term October 1, 2009-September 30, 2010.

2.4 Resource Efficiency and Non-Duplication Due Diligence

The grant proposals submitted to the board were as follows:

1. The RRC Proposal (\$218,160) focused on intervention in 2010-11 GCR Plan Case and 2009-10 GCR Plan Reconciliation Cases for the four largest gas utilities in Michigan (CECo, MichCon, SEMCo, and MGU), monitoring of dockets of smaller companies.

2. Citizens Against Rate Excess Proposal (\$510,494) focused on the intervention in 2010 PSCR Plan and 2009 PSCR Reconciliation cases for 7 smaller utilities (Alpena Pwr, Edison Sault Electric, IM Pwr/dba AEP, Northern States Pwr/dba Xcel Energy, UP Pwr, WI Electric Pwr, WI Public Srvc) in the state of Michigan and participation in Federal Proceedings that affect Act 304 costs of Michigan utilities.

3. The Michigan Community Action Agency Association (\$162,055) proposed intervention in MichCon 2009-10 GCR Plan Case (U-15701), MichCon 2008-09 GCR Reconciliation Case (U-15451-R) MichCon Gas Rate Case (U-15985), CECO 2009-10 GCR Plan Case (U-15704), CECO Gas Rate Case (U-15986), CECO GCR Reconciliation Case (U-15454-R), MichCon 2010-11 GCR Plan Case, CECO 2010-11 GCR Plan Case, MichCon Appeal of U-14401-R COA #282741.

4. The Michigan Environmental Council (\$254,016) proposed intervention in the following cases:
Consumers Energy Co. (CECO)

- a. 2010/11 PSCR Plan Case
- b. 2009/10 PSCR Recon Case
- c. PA 295 Renewable Energy Plan Recon Case

Detroit Edison Co. (DECo)

- a. 2010/11 PSCR Plan Case
- b. 2009/10 PSCR Plan Recon Case
- c. PA 295 Renewable Energy Plan Recon Case
- d. CECO, DECo Renewable Energy (Wind Energy) Facilities Depreciation case, CECO Certificate of Need case under PA286, ABATE appeal of CECO PA 295 plan approvals, MEC appeal of PSC's self-implementation order.

5. Public Interest Research Group in Michigan (\$147,966) proposed intervention in CECO Big Rock Nuclear Decommissioning Case U-15611, CECO Rate Case U-15645, Nuclear Waste (SNF) Complaint Case U-13771, CECO 2010 PSCR Case, DECo 2010 PSCR Case.

Issues and strategies among the various parties participating in the same cases, including the Attorney General, were discussed in the advance review process and again during the board review meeting. Actual and potential duplication of effort was eliminated prior to approvals. Coordination with

the Attorney General is required by the conditions of the grant. In order to monitor efforts, the Board requires grantees to submit bi-monthly financial and case status reports for discussion at UCPB meetings.

2.5 Administrative Efficiency

The Board continued to improve administrative processes and efficiency in the following ways:

1. Implemented a grant review process utilizing a rating and ranking system based on statutory guidelines.
2. Utilized the revised UCRF grant application designed by DLEG Purchasing and Grant Services and the Michigan Attorney General's Office.
3. Requested the opinion of the Attorney General's office during grant review regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
4. Requested the opinion of utility representatives present during grant review as to concerns or objections regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
5. Renewed contract with part-time contractor to assist the Board and coordinate efforts with other parties of interest.
6. Followed regular bi-monthly meeting schedule.
7. Implemented bi-monthly case status reports from grantees.
8. Formalized process of written grant amendments and documented board approval prior to submission to DELEG.
9. Revised annual report.
10. Expanded information publicly available on the web site.

3. UCRF RESULTS

3.1 Cost/Benefit Analysis and Discussion

In creating cost recovery mechanisms that allowed utilities to recover energy supply costs from ratepayers outside of a contested rate case, the Michigan Legislature assured that Michigan's residential energy customers would be effectively represented through the creation of the Utility Consumer Representation Fund (UCRF). UCRF funding is collected from assessments on utilities that use the cost recovery mechanism. This cost is paid by customers through their rates. Therefore, the revenue for the fund is generated from ratepayers and expended to assure their representation in utility cost recovery proceedings.

The PSCR and GCR cases have a "plan" and "reconciliation" phase. The plan cases for each utility set the framework and establish the cost of fuel recoverable from all customers. The reconciliation phase looks back at the assumptions and performance of the utility under the plan and "corrects" or "trues-up" the plan factors with reality. The differences are then passed through to customers through collections, credits or refunds. UCRF grant funded parties advocate for the interests of residential customers in this process.

There are many factors that impact assessment of effectiveness of UCRF funded intervention on behalf of residential customers including: 1) certain cases and proceedings span more than one grant year, 2) proceedings, through the appeal process, may remain pending for several years, 3) impact of a decision in one year often continues to benefit ratepayers in future years, 4) outcomes may result from multiple parties interventions and may be reported (in whole or part) by each party, 5) lack of a standardized reporting approach and validation method, and 6) indirect benefits not reflected in direct cost reductions.

UCRF funded intervention in cases decided in 2009 calendar year yielded more than \$200 million of benefits for residential utility customers. The Michigan Environmental Council and PIRGIM were directly responsible for a reduction in Consumers Energy Company proposed residential surcharge of .50 per month per customer or approximately \$189 million over the 20 year life of the program. They also secured a savings of \$17 million for Consumers' Energy electric customers (that should continue to accrue over time) as a result of MPSC rulings on DOE liability issues. The RRC influenced the Michigan Gas Utilities Company GCR 2007/08 Reconciliation Settlement Agreement that resulted in \$919,047 in savings for residential customers. They also negotiated a higher share of proceeds for residential customers in the Michigan Consolidated Gas Company Native Base Gas Sale Case. This result is expected to yield a benefit of \$4-5 million more for residential customers than that proposed by the utility company. In addition to these direct savings, the oversight provided by UCRF funded intervenors improves outcomes and rates for residential customers over the long-term. The UCRF grant program provides the resources for intervention of residential customers in complex gas cost and power supply cost recovery proceedings. The benefits achieved by grantees relative to the costs of the program demonstrate the continued importance of the program. UCRF funded case results are detailed in section 3.2 of this report.

3.2 Summary of UCRF Grant Activity and Results

The following are results in cases in which an ORDER has been issued in the period January 1, 2009-December 31, 2009. Some of the cases in which UCRF grantees participate in 2009 will not conclude until subsequent years. Results for those cases will be reported in future annual reports. Results are reported based on an independent review of the record by UCPB staff as well as reporting by the grantee. Complete dockets related to the cases are available through the Michigan Public Service Commission's Electronic Docket Filing System (EDocket) at www.michigan.gov/mpsc. Results for individual cases may be verified by reviewing the case docket. MPSC case numbers have been included for purposes of research and validation.

Grant Recipient: Residential Ratepayer Consortium

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded	UCRF Amended Grant Amt	Other financial support (matching funds, pro bono support, etc.)
U-15040-R	MGUC: 2007/08 GCR Reconciliation	# 08-02	\$27,270.00	\$17,271.00	None reported
Results	<p>Order 8/11/2009 Settlement Agreement. Key features:</p> <ul style="list-style-type: none"> • Independent audit requested by intervenors was conducted (for 2007-2008 GCR period) and attached to the settlement agreement. • the net under recovered amount from the 2007-2008 GCR period was adjusted to accurately state MGUC's gas costs during that period. It was reduced from \$14,736,818 to \$13,817,771 – a savings of \$919,047 to the GCR customers. • MGUC committed to better manage its billed GCR factor to minimize the Company's over/under recovery position in the future. • Secured key data and performed analyses of MGUC's hedging program will be used as evidence in future cases to advocate for needed changes that will minimize the cost of gas for MGUC's GCR customers. • Secured informal commitment from MGUC to consider the RRC's recommendations on its purchasing practices in the Company's operations on a going forward basis. 				
U-15041-R	CECo: '07-'08 GCR Reconciliation	# 08-02	\$27,270.00	\$53,631.00	None reported
Results	<p>Order 12/16/09. RRC recommended disallowances of \$4,282,111 for the additional costs caused by the Company's flawed estimates of March purchase requirements and \$3,042,811 relating to its finding that none of the natural gas purchases Consumers Energy made on 2/26/08 were necessary because of the availability of lower cost gas in storage. Both of these recommendations were based on information available to the Company at the time it made the decision to make these purchases. The Commission rejected the proposed disallowances but acknowledged that the evidence shows that the Company's late season purchasing strategy could be improved and encouraged the RRC and other parties to make recommendations in a future GCR Plan for addressing this issue.</p>				
U-15042-R	MichCon: '07-'08 GCR Reconciliation	# 08-02	\$27,270.00	\$18,180.00	None reported
Results	<p>Order 7/1/2009 Settlement Agreement. RRC Filed testimony addressing:</p> <ul style="list-style-type: none"> - All of MichCon's gas purchases in the 2007-2008 GCR period. No recommendations for cost disallowances were made. - The Company's sales forecasting methodology for the five winter months (November -March). The RRC concluded that the new method used by MichCon (based on a recommendation made by the RRC in a prior case) performed much better than the previous method. However, the RRC found that additional refinements for the estimates of actual sendout data are necessary (to be pursued in MichCon's 2009-2010 GCR Plan Case.) The RRC also showed that its recommendation for Heat Load Factors in the Company's '07-'08 GCR Plan (Case No. U-15042) performed much better than the Company's polynomial method shown in the '08-'09 GCR Plan (Case No. U-15451) that was used for the October through March period in 2007-2008. • Engaged in negotiations with all the parties that resulted in a settlement agreement that was approved by the MPSC. • Secured key evidence on MichCon's fixed price purchasing practices that will be used in future GCR Plan cases to advocate for changes in MichCon's operations that will reduce the cost of gas to GCR customers in the future. 				
U-15043-R	SEMCO: '07-'08 GCR Reconciliation	# 08-02	\$27,270.00	\$19,998.00	None reported

	Order 12/16/09 Filed testimony addressing: - All of the Company's gas purchases including Dollar Cost Averaging (DCA), Summer Term purchases, Early purchases and First of Month (FOM) purchases using NYMEX Close and Index. Even though the results were not favorable to the GCR customers, the RRC made no recommendation for a disallowance because that Company made all DCA purchases in accordance with its Commission approved GCR Plan. The RRC recommended that SEMCO consider restructuring the Company's hedging programs in the future. The evidence obtained in this GCR Reconciliation will be used by the RRC to pursue that issue in the 2009-2010 GCR Plan case. With respect to SEMCO's Term Purchases for 2007-08, the RRC recommended that the Company continue the way it makes term purchases on Great Lakes Gas Transmission Company, but limit the term to one year because if prices stay at the current level or even go lower prior to October 2009, it is doubtful that a favorable Basis could be obtained for three years in the event of price escalation. With respect to SEMCO's Early Purchases, the RRC found that those made in April, May and June were less expensive and those made in July, August, September, December and January were more expensive. No Early Purchases were made in October, November, February and March which appears to have been a prudent decision. The RRC recommended that SEMCO consider this evidence and discontinue Early Purchases because the current approach is no more than a guessing game which has not produced positive results for the GCR customers. The RRC also examined SEMCO's First of Month (FOM) purchases and found them to be acceptable, primarily because of the results of SEMCO's bidding process for these supplies. - SEMCO's three peaking services and their utilization. The RRC examined the cost of SEMCO's peaking services and found that given all the operational variables experienced by SEMCO in the winter of 2007-2008, SEMCO's results were acceptable, except for operations on 2/10/08 when the Company came dangerously close to not having sufficient supply. The RRC invited SEMCO to explain in its rebuttal testimony what happened, how the additional withdrawal of storage was made possible and to document that there were no costs associated with the excess withdrawal. If any costs were caused by these operating decisions, the RRC recommended that the Company bear the expense and not the GCR customers. - SEMCO's storage operations. The RRC found that the Company's explanation in its discovery responses of its storage operations in February and March 2008 showed some discrepancies between what was represented in the 2007-2008 GCR Plan and the actuals. The RRC did not recommend a disallowance for SEMCO's storage utilization because the Company was able to show that its actions did not cause costs for the GCR customers in 2007-2008, however, the RRC recommended that the Company should use its storage if the inventory cost is lower than the then current purchase cost because it has cost savings certainty. Similar operations in the future (without justified plan changes) would be subject to a disallowance recommendation. • Participated in settlement negotiations with the parties and reached a settlement agreement that was approved by the MPSC.				
Results					
U-15451	MichCon: '08-'09 GCR Plan	# 08-02	\$27,270.00	\$32,814.90	None reported
Results	Orders 4/16/2009, 8/11/2009 • Filed testimony addressing: - The Company's proposed use of a quartic polynomial model to develop its monthly sales forecast. The RRC found that MichCon's proposal is consistent with the methodology advocated by the RRC in Case No. U-15042 and results in more accurate results than those projected in prior GCR Plans. - The Company's method of projecting Colder Than Normal (CTN) requirements. The RRC recommended modifying MichCon's methodology to more accurately measure the Company's actual Heating Degree Days. - The Company's planning for Warmer Than Normal (WTN) requirements. The RRC recommended that MichCon's methodology should be changed to more closely reflect statistical probability. - The term fixed basis for supplies that are scheduled to begin more than six months into the future. The RRC recommended that MichCon abandon this gas pricing approach because of the poor historical performance of this methodology. - MichCon's plan to address its storage utilization study and 10-year weather normalization via a collaborative process with all the parties over the second half of 2008 and in advance of the Company's next general rate case. The RRC endorsed the Company's proposal. • Participated in settlement negotiations with the parties. A Settlement agreement was reached that was approved by the MPSC. That agreement:				

	<ul style="list-style-type: none"> - implements gas purchasing guidelines during the GCR period that incorporate revisions advocated by the RRC - changes the Company's planned normal weather purchase pattern for November 2008 through March 2009 to achieve the storage profile recommended by the RRC - changes the Company's sendout in Warmer-Than-Normal weather consistent with the RRC's recommendations - changes the Company's volume of fixed basis supplies consistent with the RRC's recommendations - establishes an ongoing collaborative process for addressing additional issues affecting future GCR proceedings. 				
U-15454	CECo: '08-'09 GCR Plan	# 08-02	\$27,270.00	\$42,541.20	None reported
Results	<p>Order 2/3/2009</p> <ul style="list-style-type: none"> • Filed testimony addressing: <ul style="list-style-type: none"> - CECo's supply plan and storage utilization for its cold weather design load requirements. The RRC's investigation found that Consumers' plans are incomplete because they fail to adequately explain how much gas the Company must purchase in CTN weather in February/March given different storage balance scenarios. - The Company's gas purchasing strategy guidelines. The RRC recommended that these guidelines should be amended to improve opportunities for achieving lower purchased gas costs. The RRC made specific amendments to Consumers' guidelines to accomplish this goal. • Received favorable Proposal for Decision (PFD) issued by the presiding Administrative Law Judge in which he adopted most of the RRC's recommendations in this case. These included: <ul style="list-style-type: none"> - A recommendation that Consumers should be ordered to evaluate the effect upon its GCR customers of using 90% – as opposed to either 75% or 80% – as the cap on fixed price purchases made prior to November 1 for one or more of the previous GCR plan years, and include that evaluation as part of its next plan case filing. - A recommendation that Consumers should be ordered to submit, as a regular part of its future GCR plan case filings and any reconciliation filings for years in which mid-month updates result in a decision to make gas purchases above the amount called for in a previously approved GCR plan, send-out model results like those set forth in Exhibit A-29. (As a result of the RRC's discovery in this case, Consumers disclosed for the first time the storage utilization results shown on Exhibit A-29). - A recommendation that Consumers should be ordered to include in its next GCR Plan filing two weather related studies to verify whether there has been a decline in the number of Heating Degree Days (HDDs) based on a 30-year moving average of temperatures experienced in the utility's service territory, as well as calculating the rate of such decline, explaining why such a reduction would not be equally applicable to Colder Than Normal (CTN) weather, and comparing the effect of using the historical 30-year average instead of the most recent 30-year average versus the actual HDDs included in the utility's probability study. - A recommendation that Consumers should be ordered to assess the effect of using 10% CTN weather for planning purposes and deferring additional purchases until actual weather and forecasted weather dictate that such purchases be made. • Filed a Reply to CECo's Exceptions to the PFD and a successful Motion to Strike the Exceptions filed by the MPSC Staff. In its Order in Case No. U-15454, the MPSC declined adopting the presiding ALJ's recommendations that endorsed the RRC's analysis in this case. 				
U-15628	MichCon: Native Gas Sale	# 09-06	\$18,180.00	NA	None reported
Results	<p>Order 2/3/09, 3/5/09 Settlement Agreement</p> <p>Participated in extensive negotiations that resulted in a settlement agreement.</p> <ul style="list-style-type: none"> • Key features of the settlement agreement are: <ul style="list-style-type: none"> - a 50/50 sharing between the GCR customers and MichCon of the proceeds from the sale of 4 Bcf of native gas. (In its application in this case, MichCon requested that MichCon retain the proceeds from the sale of 2.7 Bcf with the GCR customers receiving the proceeds from the remaining 1.3 Bcf.). The economic benefit of the native base gas is measured by the difference between the market price for natural gas at the time it is sold and the \$.32 per Mcf delivery price for that supply. For example, if the 2 Bcf is sold at \$7/Mcf, the GCR Customers will realize a benefit of \$13,360,000 (\$7.00 - \$.32 x 2,000,000 Mcf) as a credit/reduction to their GCR cost of gas. Using the figures in this example, the GCR customers get \$4,676,00 more than what MichCon proposed in its original filing. - a mechanism that provides the opportunity for the GCR customers to trigger the sale of their 2 Bcf share of the native bas gas at a time that will provide optimal benefits. 				

	<ul style="list-style-type: none"> - 80 Bcf of storage utilization for the benefit of GCR customers starting in 2010-2011 with a detailed allocation to provide for Normal, Colder Than Normal and Warmer Than Normal Weather. - MichCon's agreement for a moratorium on filing a general rate case until June 1, 2009. - MichCon's agreement that any loss of revenue from reduction in its storage cyclic capacity up to 2 Bcf will be borne by the Company. The Settlement Agreement was submitted to the Commission on February 5, 2009. It was approved on March 4, 2009. 				
U-15700	MGUC: '08-'09 GCR Plan	# 09-06	\$27,270.00	\$20,907.00	None reported
Results	<p>Order 9/29/09 Filed testimony addressing:</p> <ul style="list-style-type: none"> - MGUC's fixed price purchases for the 2009-2010 GCR Plan year and for 2010-2011 and 2011-2012. The RRC presented a detailed analysis that showed the total net cost of making Fixed Price purchases compared to monthly Index purchases was \$16.0 million for the 2006-07 GCR year and \$8.6 million for the 2007-08 GCR year. The estimate of the net cost for 2008-09 and 2009-10 combined was more than \$35 million and the total net cost over a 5-year period will be more than \$70 million. Because of this poor performance, the RRC made a specific set of recommendations for modifying the fixed price purchase guidelines MGUC's GCR Plan. The RRC's recommendation will insure that any fixed price purchase will be at the lower end of NYMEX projections and that any fixed price purchase is not being made to simply hedge against a potential dramatic price increases. - The impact of fixed price purchases on MGUC's filed GCR Factor of \$7.3231. The RRC presented an analysis that showed more than \$26 million in additional costs for fixed price purchases that are not reflected in MGUC's GCR Plan. Despite this cost increase, the RRC did not recommend an increase to the GCR Factor. In spite of the excess costs created by the fixed price purchases, market data shows that the Company's projected cost of Index purchases is substantially higher than what the Company will actually pay for those supplies. The RRC concluded that MGUC's request for a revised Base GCR Factor of \$8.3844/Mcf is not warranted due to current market prices and the fact that 77% of winter supply has already been purchased at fixed prices. - MGUC's filed and revised annual estimate of sales and their monthly distribution and the estimated level of Gas Customer Choice (GCC) participation. The RRC presented evidence that shows that MGUC's annual estimate for combined GCR/GCC sales is appropriate, however, the current individual estimates for GCC and Sales should be monitored closely on a monthly basis for any changes. The RRC also found that MGUC's projected monthly distribution of sales was appropriate except for some minor differences of plus 150,000 Mcf for September and minus 150,000 Mcf for April. The RRC recommended that MGUC's filed GCR Plan for 2010-11 include a representation for GCC and GCR requirements separately on a monthly basis and that the Company identify any reductions to storage functionality and/or least cost pipeline supply caused by the GCC participation. MGUC's proposed storage operations and least cost pipeline utilization for making the necessary purchases to meet GCR requirements. The RRC made several specific recommendations to improve and refine the Company planning process. The Company's current portfolio of fixed price purchases plus the revised estimate of GCR/GCC requirements plus the increased GCC participation and supply must be addressed with a revised plan. - The Company's Peak Day estimate and supply plan to meet these requirements. The RRC identified several inconsistencies in the data the Company provided and invited the Company to resolve them in its Rebuttal testimony • Participated in the contested case hearing. • Participated in settlement negotiations. The parties reached a settlement agreement, the key features of which being: <ul style="list-style-type: none"> - MGUC agreed to closely monitor decreases in GCR requirements due to current economic conditions and increases to GCC participation and to implement changes to its approved GCR plan due to changes in circumstances. Changes to filed Plan purchases and storage operations will be addressed in the GCR Reconciliation wherein MGUC will explain when, how and why it made changes to its 2009-2010 GCR Plan. - The Company's Peak Day forecast should be set at 219,345 Mcf for the 2009-2010 GCR period. This accounts for lower than expected economic activity resulting in lower natural gas use. - The Company's originally filed GCR factor of \$7.3231 per Mcf is approved with a \$3.00 per Mcf cap for the quarterly calculation under the contingency factor matrix. This is \$1.06 per Mcf less than MGUC's request for a 				

	revised Base GCR Factor of \$8.3844/Mcf. A collaborative will be convened to review and discuss the future of the Fixed Price Purchasing Program. - MGUC will file in its next GCR Plan a schedule and deadline to complete its proposed interconnection with MichCon to foster effective utilization of Washington 10 storage. The MPSC approved the settlement agreement on September 29, 2009.				
U-15701	MichCon: '08-'09 GCR Plan	# 09-06	\$27,270.00	\$33,633.00	None reported
Results	Order 4/30/09, 11/12/09 Filed testimony addressing: - The reasonableness of the Company's proposed use of a 10-year Normal, the calculation of monthly estimates, and the increase from 17.5 Bcf to 25.3 Bcf for Colder Than Normal (CTN) requirements and the basis for this quantification. The RRC presented a detailed analysis of the evidence from MichCon's filing and data the RRC acquired through discovery to show that the Company's GCR Plan Filing is not a valid representation for operations during a year with Normal weather. The RRC found that: (1) MichCon should have waited until the issue of a correct Normal was settled in the upcoming 2009 base rate case, (2) the Company's own data shows that a 15-year Normal is better than a 10-year Normal, (3) the Company should have known that updating the data presented in its 2009-2010 GCR Plan would show that its 10-year Normal proposal does not perform as well as a 15-Year Normal, and (4) the Company failed to acknowledge and evaluate this data. - The Company's planned storage profiles for Normal weather, Colder Than Normal (CTN) weather, and Warmer Than Normal (WTN) weather. The RRC presented a detailed explanation of the data upon which its analysis was made and concluded that MichCon's reliance on old data for setting its level of CTN protection is wrong because it fails to consider whether a reduction in CTN weather could have occurred in the interim – especially when the Company advocates the use of a 10-year rolling average for setting its Normal weather requirements. The RRC's testimony also described adjustments to the Company's storage profiles that would need to be made depending on changes made to the Normal and CTN weather profiles. - MichCon's fixed price purchases. The RRC presented data that showed that MichCon's fixed price purchases increased the overall cost of gas by \$0.86/Dth in 2006-07 and \$0.54/Dth in 2007-08 and that the Company's filed 2009-2010 GCR Factor of \$8.46 will only be reduced to \$7.84 based on existing fixed price contracts. The RRC pointed out that current price differentials offer marketers an outstanding opportunity for profit and increase conversions to the GCC program and may reduce GCR sales significantly. The current situation could also cause "headaches" for the MPSC, since any MichCon GCR customer watching the commodities market may notice gas futures at less than \$4.00 and wonder why they are paying \$7.00-\$8.00 for the GCR factor. - MichCon's need for a Contingency Factor Matrix mechanism. The RRC's testimony showed that MichCon's GCR Factor is out of touch with the current market prices. It also highlighted the opportunity for alternative gas suppliers to use the Contingency Factor Matrix mechanism as a marketing device to support a claim that MichCon's already high gas costs may go even higher. The RRC recommended that the Contingency Factor Matrix be excluded from this Plan Year. • Participated in the contested case hearings. • Filed initial and reply briefs. Reviewed the Proposal for Decision issued by the presiding Administrative Law Judge in which she: - Agreed with the RRC's position opposing MichCon's proposed use of a 10-Year Normalization to forecast its sales requirements. As the RRC suggested, given the Company's insistence that recent weather trends should not affect the Company's Colder Than Normal planning, the appropriate weather forecast for the 2009-2010 GCR Plan is a 30-Year Normalization. - Agreed with the RRC that the Company's proposal to increase its Colder Than Normal projections should be rejected. - Agreed with the RRC's position that MichCon's fixed price purchase guidelines contained in the April 1, 2009 Partial Settlement Agreement should be followed in the 2009-2010 GCR period but that the parties should engage in discussions to identify changes that should be part of MichCon's 2010-2011 GCR plan. - Rejected the RRC's position that MichCon's contingency factor mechanism should be suspended for the 2009-2010 GCR period because it is not needed. • Filed Exceptions to the ALJ's Proposal for Decision				

	On November 12, 2009 the MPSC issued an Order in Case No. U-15701 in which it adopted the RRC's position on MichCon's fixed price purchase guidelines, but declined to adopt the recommendations the presiding ALJ made in her PFD in support of the RRC's other recommendations in this case. The Commission did, however, make it clear that its approval of a 10-year Normal for MichCon will be revisited in the next GCR Plan case.				
U-15702	SEMCO: '08-'09 GCR Plan	# 09-06	\$27,270.00	\$20,907.00	None reported
Results	<p>Order 9/29/09</p> <p>Filed testimony addressing:</p> <ul style="list-style-type: none"> - SEMCO's peak day estimates and supplies. The RRC's analysis resulted in its recommendations that the Company: (1) consistently apply its choice of the lower end of the Needle Peak Day to represent Experienced Peak day until such time as a future single day occurrence dictates change, (2) set the Experienced Peak Day levels at 66 HDD for January, 62 HDD for February and 54 HDD for March, and (3) clarify that its Peak Day estimates are for GCR/Gas Customer Choice (GCC) and not GCR only. SEMCO's GCR Plan filing does not show this. With respect to the Company's Peak Day supply, the RRC's testimony revealed that where and how SEMCO's 34,500 Dth/D of peaking service is to be delivered remains an open question. A second question arises regarding the supply being provided by GCC and whether the volumes on Exhibit A-7 and A-8 include or exclude the GCC volumes. Third, it is not clear whether SEMCO has assigned any pipeline capacity to GCC and, if so, on which pipeline. The RRC recommended that in its Rebuttal filing in this case, SEMCO revise its exhibits to show the planned deliveries from GCC and to more clearly define the integration of its 34,500 Dth/D of Peaking Service. - SEMCO's estimates of its annual and monthly GCR/GCC volumes. The RRC recommended that the Company investigate unusual results in its data pertaining to timing of conservation by customers in the non winter versus winter months. - SEMCO's planned storage operations. After presenting its detailed analysis, the RRC recommended that: (1) the Company study the results presented in the RRC's analysis and develop a CTN plan for March that results in a storage balance as of March 1 of 200,000 for both ANR storages. (This is necessary because the ANR daily storage deliverability is essential for meeting requirements on a very cold day in the beginning of March. Making the transition from an average Plan day to an experienced Peak day would be difficult without ANR storage availability.), (2) SEMCO change the inventory levels as of November 1 for both ANR storages to be 50,000 Dth less than maximum for each of the two storages instead of 100,000 Dth for the ANR 1.0 Bcf storage. (This is desirable because it affords more flexibility in dealing with very warm days), and (3) SEMCO plan to make mid- or late-month purchases as necessary to ensure that both ANR storages are near maximum as of December 1. This will ensure that the goals of the Normal weather plan are met and position the Company to meet any CTN weather later in the season. - SEMCO's fixed price purchases. The RRC's audit showed that all of the Company's fixed price purchases for 2009-2010 have now been completed. For the 2010-11 GCR Plan Year the RRC recommended that: (1) the words "or \$0.30 under the NYMEX price secured under the second quartile purchase" should be removed from Buy Signals on Pages 3 and 4 of SEMCO's fixed price purchase guidelines. (In its response to an RRC discovery question, SEMCO agreed with this recommendation), (2) fixed price purchases for the First and Second Tier (prior to 12/01/09 and 4/01/10) should be made only if prices are in the 1st quartile to ensure that any fixed price purchase will be at the lower end of NYMEX projections and not simply to hedge against any potential dramatic price increases in the future, and (3) the 50% Winter requirement for fixed price purchases be reduced to 25% whenever the summer/winter price differential exceeds \$1.00 and delayed until the differential is below \$1.00 before increasing to 50%. This is because all differentials greater than \$1.00 have turned out badly and resulted in excess GCR customer costs. • Participated in settlement negotiations with the parties. • Reached a settlement with the following key provisions: the parties will engage in a collaborative to review and discuss the Fixed Price Purchasing program for 2010-2011 and beyond. - SEMCO agrees to investigate for the 2009-2010 GCR period the option to acquire peaking services to serve needle peak day needs or if one is not available, to purchase in the daily market. - the current Fixed Price Purchasing program is changed to eliminate the words "or \$.30 under the NYMEX price secured under the second quartile purchase" from the Quartile Buy Signals on pages 3 and 4 of Exhibit A-13. 				

	<ul style="list-style-type: none">- the experienced peak day for the months of January, February and March Guidelines will be defined as the weighted average coldest day experienced during the most recent 5 years in each of the Company’s service territories.- The costs associated with capacity improvements made by Northern Natural Gas at the Houghton Gate Station will be fairly allocated between the GCR Customers and end use transportation customers who use that facility. The MPSC approved the settlement agreement on September 29, 2009.				
GRANTEE: Michigan Environmental Council					
Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded	UCRF Amended Grant Amt	Other financial support (matching funds, pro bono support, etc.)
U-15805	Consumers Energy Co. Implementation of PA 286 and 295 of 2008	09-04	\$57,570 (for both U-15805, U-15806)	\$83,830	NRDC paid \$4,034.48, MEC paid \$3,497.11, OB&H donated \$4,417.50 in fees, plus in-kind services by experts Pamela Lesh and Norman Stone (total hours unknown). Additionally, the Environmental Law and Policy Center contributed in-kind support of (three staff attorneys in U-15805 and one staff attorney in U-15806.
Results	Order Dates: 5/26/2009, 6/26/2009, 8/11/2009, 9/29/2009, 10/14/2009, 12/16/2009. Reduction in proposed residential surcharge of \$0.50 per month per Consumers customer, or approximately \$189 million over the 20 year life of the plan. After receiving MEC’s and other parties’ testimony, Consumers withdrew a request to increase the reduced surcharge referenced in U-15805 by \$0.19 per month per Consumers customer, or approximately \$72 million over the 20 year life of the plan.				
U-15806	Detroit Edison Company Implementation of PA 286 and 295 of 2008	09-04	\$57,570.00 (for both U-15805, U-15806)	N/A	NRDC paid \$8,917.38, MEC paid \$2,031.83, OB&H donated \$3,368.75 in fees.
Results	No hard dollar figure, but Commission ordered that it was not approving any actual costs, and that actual costs would be adjudicated in subsequent cases.				
U-14701-R/COA 285500	Consumers Energy Company PSCR Reconciliation 2006 and pension and OPEB costs	09-01			None reported
Results	Order 8/5/2009 Claim of appeal filed for the commission decision regarding the sharing of proceeds from the sale of pollution control allowances, sharing of the proceeds from the Ludington land sale, and the collection of decommissioning and decontamination fund fees. Petition for rehearing was denied.				
U-15245/COA 288706	Consumers Energy Rate Case	09-01			None reported
Results	Order 3/7/2009 Claim of appeal filed. Dismissed by stipulation.				
U-15645	Consumers Energy Rate Case	09-02 (MEC), 10-05 (PIRGIM)			None reported
Results	Orders 4/22/2009, 5/12/2009, 5/13/2009, 8/11/2009, 11/2/2009, 11/12/2009. \$215 million dollar rate increase				

	and other relief requested by Consumers pursuant to 2008 PA 286 which allows self-implementation if the Commission does not act on a prescribed timeline. The Commission supported MEC/PIRGIM's position that pre-1983 DOE liability should be excluded from rate base while giving the ratepayers the benefit of the low-cost DOE liability in the capital structure. Specifically the Commission's orders in this case ruled in favor of MEC/PIRGIM recommendations on the DOE liability (and Palisades) issues by: (1) removing the \$162 million of the DOE liability from rate base; (2) by excluding any bank letter of credit costs from the cost of capital; (3) assigning a zero cost to the \$162 million in the capitol structure; and (4) by ordering that CECO in the next case present proposals to provide for the establishment of a trust to receive the DOE liability. This translates into a savings of \$17.5 million that should continue to be realized on an annual, ongoing basis.				
U-15244	Detroit Edison Rate Case	09-03			None reported
Results	Orders 1/13/2009, 3/5/2009, 9/15/2009, 11/12/2009, 1/25/2010, 2/22/2010 Petitions for rehearing denied.				
U-15415	Consumers 2008 PSCR Plan Case	09-04			None reported
Results	Order 3/5/2009.				
U-15417	Detroit Edison 2008 PSCR Plan Case	09-04			None reported
Results:	Order 1/13/2009 Detroit Edison originally requested that the Commission approve recovery of \$1,327,818,000 in 2008 PSCR expenses and a 2007 PSCR underrecovery of \$1,065,000 for a total of \$1,328,883,000, resulting in a PSCR factor of 9.23 mills per kilowatt-hour (kWh). In a revised filing Detroit Edison requested the Commission approve a 2008 PSCR expense of \$1,414,973,000 and a projected 2007 underrecovery of \$43,119,000 for a total of \$1,458,092,000, resulting in a PSCR factor of 11.22 mills per kWh. MEC/PIRGIM supported the inclusion of energy efficiency programs as part of Detroit Edison's PSCR plan. MEC/PIRGIM also argued that the demand forecasts are outdated and overstated, particularly given current economic conditions in Michigan. MEC/PIRGIM argued that the Commission should consider the expiration of the rate reduction required by the settlement in Case No. U-14838. The additional revenue from the higher rates will offset some of the costs claimed in this case. The Commission deferred energy efficiency issues to the energy optimization cases provided by 2008 PA 295.				
GRANTEE: Michigan Community Action Agency Association					
U-15041-R	Consumers Energy Company 2007/08GCR Reconciliation Case	09-05			None reported
Results	Order 12/16/2009 Consumers calculated that it has a refund obligation for the 2007-2008 GCR period of approximately \$16.795 million that it proposes to refund to customers using the standard roll-in method set forth in the company's tariffs. According to Consumers, the refund amount reflects an overrecovery for the GCR period of approximately \$14.758 million and accrued interest of approximately \$2.037 million. Consumers calculated that while the PEM and OPEB mechanism were in effect, it underrecovered pension expense and OPEB expense totaling \$3,439,616, plus interest, through March 31, 2008. Consumers proposed that the underrecovery, plus interest from March 31, 2008 to the midpoint of the month of recovery, be collected through a one month surcharge of \$.1376 per thousand cubic feet (Mcf) to sales and transportation customers. Attorney General and the MCAAA argue that the record in this case supports a requirement that Consumers submit a report in the future detailing how it calculates unbilled sales. MCAAA claims that the ALJ's recommendation does not address the problem that can occur with unbilled revenue calculations involving the last month and first month of succeeding GCR plan years. According to the MCAAA, the filing of the calculation reports for all months during the plan year can aid in the analysis of these transition months.				

U-15702-R	MichCon 2007/08 GCR Reconciliation Case	09-05			None reported
Results	Order 7/1/2009 MichCon requested a underrecovery of \$10 million. A settlement agreement was reached reducing the underrecovery to \$9,625,045. MCAAA participated in settlement negotiations and conferences leading up to the settlement.				
U-15451	MichCon 2008/09 GCR Plan Case	09-05			None reported
Results	Orders 4/16/2009, 8/11/2009 On August 26, 2008, the Commission issued an order approving the partial settlement agreement. The settlement agreement did not resolve certain issues raised by the MCAAA concerning the effects of Mich Con's accounting and gas storage methods on the cost of gas. After issuance of the August 26 order, Mich Con, the Staff, and the MCAAA submitted briefs and reply briefs on the issues raised by the MCAAA. The ALJ issued a Proposal for Decision (PFD) on September 12, 2008. On October 6, 2008, the MCAAA filed exceptions and on October 20, 2008, the Staff and Mich Con filed replies to exceptions. MCAAA requested detailed study of the effect of Mich Con's LIFO accounting method and its gas storage practices on the volatility and cost of gas charged to ratepayers. The MCAAA also recommended that the Commission should consider requiring Mich Con to make changes to mitigate gas costs and reduce charges to ratepayers. The MCAAA proposed that the Commission separate a portion of Mich Con's working gas inventory as a new category called "emergency base gas," and that this gas should be priced at the oldest decrement of Mich Con storage gas. Commission ruled that the proposals advocated by the MCAAA are outside the scope of an Act 304 proceeding and unnecessary at this time. Petition for rehearing was denied.				
U-15454	Consumers Energy 2008-09 GCR Plan	09-05			None reported
Results	Order 2/3/2009 Consumers requested authority to implement a base GCR factor of \$8.1651 per thousand cubic feet (Mcf) with authority to adjust that factor, on a quarterly basis, in accordance with changes in the New York Mercantile Exchange (NYMEX) prices for natural gas. MCAAA did not file testimony. Limited its involvement to review and monitoring.				
U-15628	MichCon Sale of Excess Gas case	09-05			None reported
Results	Orders 2/3/2009, 3/5/2009 Settlement agreement. MichCon sought authority from the MPSC to sell four billion cubic feet (Bcf) of base gas. MichCon claimed that this gas is available to sell because of better-than-expected results from improvements made to Mich Con's gas storage facilities. MichCon proposes to deliver 1.3 Bcf of native base gas to its gas cost recovery (GCR) customers at an estimated price of \$0.32 per thousand cubic feet (Mcf), which would result in over \$12 million in savings to these customers. MichCon proposes to deliver the remaining 2.7 Bcf of native base gas to its non-system supply customers at the current market price. MichCon requested that MichCon retain the proceeds from the sale of 2.7 Bcf with the GCR customers receiving the proceeds from the remaining 1.3 Bcf. Convertible base gas (CBG) feature advocated by MCAAA was adopted and provides the opportunity for CBG to be used to offset "emergency" situations causing a spike in NYMX price increases.				
U-15701	MichCon 2009/10 GCR Plan Case	09-05			None reported
Results	Orders 4/30/2009, 11/12/2009 Mich Con's use of the fixed price purchasing practices were approved on an interim basis by settlement agreement. MCAAA testified regarding the "latent windfalls" associated with Mich Con's storage gas inventory, the continued need for a lower priced emergency gas reserve, also referred to as convertible base gas, and the continuing need for the Commission to require MichCon to switch from last-in first-out (LIFO) accounting to average price accounting or first-in first-out (FIFO) accounting with respect to its gas storage and GCR gas costs. MCAAA also opposed certain changes proposed by MichCon in				

	its NYMEX-based "contingency factor mechanism," which would have increased potential GCR rate increases under the clause. The Commission Order rejected Michcon's proposed changes to its NYMEX clause. The Commission also found that the issues MCAAA raises are outside the scope of an Act 304 proceeding, and the MCAAA has failed to show that the changes that it proposes would not have a significant countervailing effect on MichCon's base rates that would impose higher costs overall on customers.				
U-15986	Consumers Gas Rate Case	10-06			None reported
Results	Order Dates: 10/13/2009, 12/16/2009 CEC gas rate case seeking a \$114.4 million rate increase and other forms of regulatory relief. Commission order filing of self-implementation tariffs and protective order.				

4. FINANCIAL REPORTING AND GRANT ADMINISTRATION

4.1 Calendar Year 2009 Remittances

The following information is compiled and provided by the Michigan Department of Energy Labor and Growth (DELEG) for purposes of the Annual Report.

Public Act 304 of 1982 requires annual remittances to the Fund from any regulated utility company serving at least 100,000 customers. The total size of the fund is set at \$500,000 multiplied by a factor "set by the Board at a level not to exceed the percentage increase in...The consumer price index for the Detroit standard metropolitan statistical area...between January 1981 and January of the year in which the payment is required to be made." Since enactment of Act 304, total remittances have been as follows:

1982	\$630,600	1996	\$813,000
1983	\$653,400	1997	\$834,050
1984	\$582,250	1998	\$851,728
1985	\$569,600	1999	\$864,600
1986	\$592,650	2000	\$899,000
1987	\$596,050	2001	\$930,650
1988	\$615,250	2002	\$946,150
1989	\$650,450	2003	\$981,150
1990	\$683,450	2004	\$988,350
1991	\$715,300	2005	\$1,013,299
1992	\$728,650	2006	\$1,052,150
1993	\$745,838	2007	\$1,069,450
1994	\$760,266	2008	\$1,096,950
1995	\$791,900	2009	\$1,088,750

Remittances due from the six utilities serving at least 100,000 customers are calculated from the proportion of each "company's jurisdictional 1981 operating revenues...compared to the 1981 total operating revenues of all energy utility companies" contributing to the fund. This proportion, initially calculated in 1982 and recalculated in 1996, remains constant, and was applied to the six remitting utilities in the amounts shown in the table below.

Source of Calendar Year 2009 Remittance Revenue	
Utility	Amount Contributed
Consumers Energy	\$445,989

Distribution of Calendar year 2009 Revenue	
Recipient Allocated	Amount
Attorney General (47.5%)	\$ 517,157

Detroit Edison Co.	308,856	Intervenor Grants (47.5%)	517,157
MichCon Gas Co.	273,153	Administration (5%)	<u>54,438</u>
Aquila Networks-MGU	23,588		\$1,088,750
SEMCO	26,573		
Indiana Michigan Power	<u>10,592</u>		
TOTAL	\$1,088,750		

Letters were sent to each utility on 4/02/09 and all remittances were made by 09/2009.

In addition to the calendar year 2009 utility fees, interest was earned for the Fiscal Year ending 9/30/09. This was allocated proportionately between the Attorney General and the intervenor grants. The intervenor proportion totaled \$16,796.

4.2 Fiscal Year 2009 Appropriation and Accrued Funds

Total funding available for awarding intervenor grants was \$902,500 for FY09 as shown below and \$902,500 FY10 authorization subject to budget approval.

Intervenor Grant Funding for fiscal year 2009:

Appropriation (Public Act 251 of 2008)	\$950,000
Less 5% for Administration	<u>(47,500)</u>
Appropriation Available for Intervenor Grants	\$ 902,500
 New Revenue	 \$517,157
Fiscal Year 2008 Unreserved Fund Balance	1,241,869
Fiscal Year Interest Earned from Common Cash Fund	<u>16,796</u>
Total Available if sufficient spending authorization	\$ 1,775,822

4.3 Notification of Readiness to Proceed

The Act requires that the Public Service Commission not act on "an application for an energy cost recovery proceeding...until 30 days after it has been notified by the Board or the director of the Energy Administration...that the Board or the director is ready to process grant applications, will transfer funds payable to the Attorney General immediately upon [their] receipt...and will within 30 days approve grants and remit funds to qualified grant applicants." Additionally, the Act requires that "in order to implement the gas [or power supply] cost recovery clause....a utility annually shall file...a complete gas [or power supply] cost recovery plan...The plan shall be filed not less than 3 months before the beginning of the 12-month period covered by the plan." The electric utilities selected January 1, 2007 to December 31, 2008 as the 12-month plan period. Most of the gas utilities selected April 1, 2008 – March 31, 2009 as their 12 month period.

4.4 Scope of Work

Money from the Fund, less administrative costs, "may be used only for participation in administrative and judicial proceedings under sections 6h, 6i, 6j, and 6k [of P.A. 304] and in federal administrative and judicial proceedings which directly affect the energy costs paid by Michigan energy utilities." The Attorney General has issued formal and informal opinions to guide the Board regarding cost matters that may be covered by Act 304 grants. The Act describes several kinds of proceedings. Cases required by statute are:

Gas supply and cost review
Gas cost reconciliation

Power supply and cost review
Power supply cost reconciliation

Decisions in any of these four proceedings may be appealed to the appropriate courts.

Grant proposals were solicited for intervention in 2008-09 GCR Plan cases and 2007-08 GCR Reconciliation proceedings, 2009 PSCR Plan cases and 2008 PSCR Reconciliation proceedings and/or other cases relevant under Act 304.

4.5 Application and Selection Process

Act 304 limits eligibility for funding to non-profit organizations or local units of government in Michigan, places specific additional restrictions on applicants, and suggests criteria that could be used in the selection process.

Applications for grants were received from the Residential Ratepayer Consortium (RRC) and from the Michigan Environmental Council (MEC), Michigan Consumer Action Agency Association (MCAAA), Public Interest Research Group In Michigan (PIRGIM) and Citizens Against Rate Excess (CARE). The board followed a rating and ranking system based on the statutory guidelines of Act 304 to award grants. Based on board rankings following advance review of the proposals and presentation by the grantees, grants were awarded in full and in part to all grantees submitting applications. To the extent possible, full participation in supply and cost reviews and in cost reconciliation cases was desired by the Board.

5. UPDATE ON THE LEGISLATIVE REVIEW OF ACT 304

Section 6m(23) of Act 304 requires a three-year legislative review of the costs and benefits attributable to the Act. The House Public Utilities Committee convened a series of hearings in the spring of 1986 allowing each of the interested parties an opportunity to present issues related to the first three years' experience under Act 304. As a part of this review process, the Board identified several issues of importance to residential ratepayers.

In the fall of 1986, the Michigan Public Service Commission sought to resolve some of those issues by initiating a review of the various suggestions that were directed toward the Commission by the Board, intervenors, and the utilities. Recommendations resulting from this review were submitted to the Commission in the spring of 1987. The following discusses the issues initially identified by the Board and their current status.

ISSUE ONE: The Public Service Commission should refrain from dismembering Act 304 by holding separate proceedings for certain energy cost issues. The shifting of these issues to non-Act 304 cases strains resources available for intervention on behalf of residential ratepayers. Intervenors may have difficulty getting status and funding in the non-Act 304 cases. If they are able to intervene, they may be required to duplicate prior Act 304 efforts in the new proceeding.

The Board is concerned that the wording of Section 6m(17) of Act 304 unduly limits the ability to award UCRF funds for non-Act 304 cases that have a direct impact on energy costs paid by residential electric and gas customers of Michigan utilities.

STATUS: While there has been improvement in the detail provided in the Commission's Notices of

Hearing to alert the public that in the non-Act 304 cases, there may be issues that affect purchased gas or electric power supply costs, the Board remains restricted in its ability to grant funds outside of Act 304 cases. New options should be considered for protecting Michigan's residential customers in light of restructuring and escalating gas and electric rates. However, the restrictive language of this section restricts the Board's ability to solicit and award grants for innovative proposals. The urgency of this issue is heightened in 2007 with the energy legislation package under consideration in the Michigan Legislature. The effect of some aspects of this legislation will seriously compromise the ability for effective UCRF funded intervention on behalf of ratepayers.

ISSUE TWO: Numerous and lengthy delays in the Act 304 process were a serious problem up to 1991.

STATUS: The Commission has taken steps to reduce the delays with the goal of issuing orders within nine months of the filing. It has also initiated a staggered filing schedule for gas cost recovery cases. Since the Board cannot accept a utility's filing until 30 days after certification of readiness, early certification was needed to implement the staggered schedule. The Board supported the Commission's actions and in 1991, to allow for more staggering, the Board accelerated the entire grant award process by two months. Also in 1991, the Commission issued Proposed Guidelines for Completion of Cases (Order No. U-9832). In 1992, the Commission's new policy effectively solved the problem of delays in the Act 304 process. The Board commends the Commission for its actions.

ISSUE THREE: The Public Service Commission should adopt a more aggressive review of the utilities' five-year cost projections. Annual review of a utility's five-year forecast, as required by Act 304, is intended to provide an opportunity for future cost containment and increased efficiency.

STATUS: The Board encourages the Commission to continue to increase its scrutiny of the five-year forecasts and to create more rigorous filing requirements. Further the Board encourages the Commission to place greater emphasis on conservation and energy efficiency as part of reasonable and prudent supply planning, particularly in light of increasing energy prices and limited mitigation options for residential energy customers.

ISSUE FOUR: The Public Service Commission should disallow the recovery of costs that were not allowed prior to Act 304.

STATUS: This issue is resolved. Michigan courts have endorsed the Commission's designation of energy costs that may be recovered by electric and gas utilities under Act 304.

ISSUE FIVE: Information provided by the utilities should be standardized to reduce the time and effort required by intervenors spent in obtaining information needed for presenting cases to the Public Service Commission.

STATUS: Filing of standardized information was recognized as an area of need during the Public Service Commission's review in 1987. However, the Commission has issued no formalized requirement for standardized information, and there has been no increase in voluntary compliance by the utilities. This issue was examined again during 1989, but final recommendations were not reached on this issue. The Board continues its support for standardized filings as a means of reducing intervention costs and improving time frames for hearing cases. Further, standardized filing will improve the Board's ability to independently analyze the impact of UCRF funded intervention in Act 304 proceedings.

ISSUE SIX: There is a need for increased intervenor funding. The amount of funding available for intervention has been limited to the annual appropriation less administrative and operating costs incurred. The board does not have the advantage of a large number of in-house experts during the plan and reconciliation case proceedings. Adequate funding is needed to secure technical assistance of expert witnesses to aid in the process of case investigation, analysis and cross-examination.

STATUS: Fees charged by the most prominent expert witnesses have increased at a faster rate than funds available for intervention, resulting in a net decrease in expert witness testimony on behalf of residential ratepayers. If the Attorney General is not participating in a case, and therefore not available to jointly sponsor an expert witness, the intervenors are often forced to reject bids from the most qualified expert consultants due to the lack of funds. Additionally, utilities are becoming more active in sponsoring rebuttal testimony. The intervenors' legal counsel continues to donate time for carry-over cases.

This need for increased resources is heightened by recent, dramatic structural changes in the electric and natural gas industries. Those changes have a profound effect on the energy costs paid by residential utility customers. Without additional funding to support interventions in the various forums in which key decisions about those costs are being made, there is a real danger that the interests of homeowners and renters will not be advocated and that they will ultimately bear an unreasonable share of those costs. The Board specifically requested an increase in the UCRF annual appropriation for the 2006-07 fiscal year. The annual appropriation for 2007 was increased substantially using accrued, unspent funds from previous years. Increasing the spending authorization will be effective until the reserve is depleted.

Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Department of Labor and Economic Growth
Attention: Ms. Robin C. Bennett
P.O. Box 30004
Lansing, Michigan 48909
(517) 335-5968 Fax: (517) 373-3621

APPENDIX I
UCRF 2008-09 Grantees
Membership Scope and Description

Residential Ratepayer Consortium (RRC) is comprised of The Area Agencies on Aging Association of Michigan (AAAAM) and the Michigan League for Human Services (MLHS).

The Area Agencies on Aging Association of Michigan (AAAAM) www.mi-seniors.org.

Nonprofit organization composed of 16 local area agencies on aging that serve Michigan citizens age 60 and older in all eighty-three Michigan counties. Based on 2000 census statistics, that represents 16.1% of the total state population. Local area agencies include:

1-A Detroit Agency on Aging

Serves Detroit, Hamtramck, Highland Park, Grosse Pointe, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Grosse Pointe Farms, and Harper Woods cities.

1-B Area Agency on Aging 1-B

Serves Livingston, Macomb, Monroe, Oakland, Washtenaw, and St. Clair Counties.

1-C The Senior Alliance, Inc

Serves Wayne County except areas served by 1-A

2 Region 2 Area Agency on Aging

Serves Jackson, Hillsdale, and Lenawee Counties.

3-A Region 3-A Area Agency on Aging

Serves Kalamazoo County.

3-B Region 3-B Area Agency on Aging (616) 966-2450

Serves Barry and Calhoun Counties.

3-C Region 3-C Area Agency on Aging

Serves Branch and St. Joseph Counties.

4 Region IV Area Agency on Aging

Serves Cass, Berrien, and Van Buren counties.

5 Valley Area Agency on Aging

Serves Genesee, Lapeer, and Shiawassee Counties.

6 Tri-County Office on Aging

Serves Clinton, Eaton, and Ingham Counties.

7 Region VII Area Agency on Aging

Serves Bay, Clair, Gladwin, Gratiot, Huron, Isabella, Midland, Saginaw, Sanilac, and Tuscola Counties.

8 Area Agency on Aging of Western Michigan, Inc.

Serves Allegan, Ionia, Kent, Lake, Mason, Mecosta, Montcalm, Newaygo, and Osceola Counties.

9 Region IX Area Agency on Aging

Serves Alcona, Arenac, Alpena, Cheboygan, Crawford, Iosco, Montmorency, Ogemaw, Oscoda, Otsego, Presque Isle, and Roscommon Counties.

10 Area Agency on Aging of Northwest Michigan

Serves Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties.

11 U.P. Area Agency on Aging, UPCAP Services, Inc. Serves Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, and Schoolcraft Counties.

14 Senior Resources of West Michigan
Serves Muskegon, Oceana, and Ottawa Counties.

Michigan League for Human Services (MLHS) www.milhs.org. Organization with over 2,000 dues paying members, including more than 300 organizational members, with many of the latter having statewide constituencies.

Michigan Environmental Council (MEC) www.environmentalcouncil.org. Statewide nonprofit public interest and environmental organization consisting of over 71 public health and environmental organizations, having over 200,000 members.

Public Interest Research Group of Michigan (PIRGIM) www.pirgim.org. Statewide nonprofit consumer protection and public interest organization made up of approximately 10,000 members located within and throughout the state of Michigan.

Michigan Community Action Agencies Association (MCAAA) www.mcaaa.org. Michigan nonprofit corporation established on a membership basis. Its constituent members are Community Action Agencies (“CAAs”) operating in each county in Michigan.

Citizens Against Rate Excess (CARE) www.utilityratewatch.org. **Citizens Against Rate Excess (CARE)** is a newly formed Michigan non-profit corporation that serves as a consumer watchdog group to focus on utility rates. They have members across the State of Michigan, mostly in outstate Michigan, including the upper peninsula. The goal of the organization is to seek grants from the UCPB and help the Board “maximize the number of hearings and proceedings with intervenor participation” as provided by MCL 460.6m(18). For example, Intervenor participation in PSCR cases of the electric utility companies that serve the upper peninsula have been rare and this organization has filled that gap. The organization also sought to fill the void in the lack of Michigan residential ratepayer participation in federal proceedings “which directly affect the energy costs paid by Michigan utilities,” MCL 460.6m(17). The objective to participation in these federal proceedings is to prevent Michigan utilities and their Michigan residential ratepayers from being disproportionately allocated expenses (i.e. transmission, etc) that may benefit other states substantially more than Michigan.